Phokwane Municipality
(Registration number NC094)
Annual financial statements
for the year ended 30 June 2014

General Information

Nature of business and principal activities	Phokwane Municipality is a local municipality performing the functions as set out in the Constitution (Act 108 of 1996).
Members of Council	
Mayor	V Kehn
Councillors	KG Mokale (Ward1)
	MF Mojapele (Ward 2)
	FO Pitso (Ward 3)
	AS Mokoena (Ward 4)
	D Meza (Ward 5)
	PJ Nel (Ward 6)
	CJS Adams (Ward 7)
	HM Modiakgotla (Ward 8)
	M Chakane (Ward 9)
	S Lewis (Proportional)
	KD Mashorie (Proportional)
	D Meyer (Proportional)
	DM Moeketsi (Proportional)
	P Mona (Proportional)
	AO Moremong (Proportional)
	GM Motebe (Proportional)
	S Nkomo (Proportional)
Grading of local authority	2
Chief Finance Officer (CFO)	TP Sediti
Accounting Officer	MP Dichaba
Registered office	24 Hertzog Street Hartswater 8570
Postal address	Private Bag X3 Hartswater 8570
Bankers	The Standard Bank of South Africa ABSA Bank Limited
Auditors	Auditor General South Africa Registered Auditors
Attorneys	On-assignment appointments

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Abbreviations

CRR	Capital Replacement Reserve
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
SALGA	South African Local Government Association
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and will be given unrestricted access to all financial records and related data.

The annual financial statements have been prepared as far as possible in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the municipality sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The accounting officer certifies that the remuneration of Councillors and in-kind benefits, as disclosed in the notes to these financial statements, 30 are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act, except for the remuneration above are two (2) Section 79 Chairpersons who have been paid during the 2012/13 year in excess of the Upper Limits of the Remuneration of Public Officer Bearers Act. This excess remuneration is in line with SALGA Circular 40/2012 paragraph 1(g), which allows previously paid salary levels to be maintained until such time as the amount received is less than the upper limits amount.

The annual financial statements set out on pages 7 to 81, which have been prepared on the going concern basis, were approved by the on 31 August 2014 and were signed on its behalf by:

MP Dichaba
Accounting Officer

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2014.

1. Audit and Risk Management Committee Members and Attendance

The audit and risk management committee attended to their work during the 2013-14 financial year by sitting for seven (7) meetings. The committee consists of the following members:

Name of Member	Number of meetings attended	Notes
1. Mr WMS Calitz	7 of 7	3 year term appointed as Chairperson
2. Mr A Bhayt	7 of 7	3 year term appointed as member
3. Mr T Khumisi	7 of 7	3 year term appointed as member.

Meetings include special, nornal and risk committee meetings.

2. Audit Committee Responsibility

The audit and risk committee reports that it has performed its functions in all material respects in terms of section 166 of the MFMA and the adopted Audit Committee Charter as detailed below:

The committee has performed the following key responsibilities:
- Adopted the audit and risk management charter and proposed approval to council;
- Reconfirm the appropriateness of the internal audit charter and methodology;
- Recommended the risk management strategy and policy to council, due to the slow implementation thereof alternative mechanisms were followed by the internal audit manager and a risk register was considered and recommended for approval to council;
- Approved the internal audit plan for the financial year and monitored to the implementation of the plan;
- Evaluated the findings raised by internal and external audit and made recommendations on addressing those matters;
- Performed a review of financial information submitted to the committee and commented specifically on concerns raised based on year-to-date information and accuracy of projections;
- Requested management to report on pending litigation, possible contingent liabilities and significant risks;
- Requested management to address the perceived lack of discipline and called specific officials to account for the progress on the audit action plan;
- Liaised with the Auditor-General on matters relating to communication with those charged with governance;

3. The Effectiveness of Internal Control

The system of controls should be designed to provide cost-effective assurance that assets are safeguarded, liabilities and working capital are efficiently managed and compliance with appropriate laws and regulations achieved.

The committee accepted a combined assurance model where the internal and external auditors provide the committee with an indication of the level of assurance that can be derived from a system of internal controls that are appropriate and effective. Recommendations that the a combined assurance is achieved by means of a risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes were made by the committee.

From the various reports of the internal and external auditors it was noted that material matters were reported indicating material deficiencies in the system of internal control and non-compliance with laws and regulations. Accordingly, we can report that the system of internal control for the period under review was not efficient and effective. The committee is however of the view that progress have been made since the previous report, but much needs to be done to improve the system design, implementation and monitoring thereof. The lack of vacancies at departmental head level is a major concern to the committee and the accounting officer and council is urged to ensure that these positions are filled by persons meeting the employment criteria set out for those positions.

4. The Quality of In-Year Management and Monthly/Quarterly Reports Submitted in terms of the MFMA

The committee is not satisfied with the content and quality of the monthly and quarterly reports prepared and submitted to those charged with governance for the year under review.

Audit Committee Report

5. Evaluation of Financial Statements

The committee was afforded an opportunity to review the financial statements before 31 August 2014 and could make a contribution on the appropriateness of these financial statements submitted to the Auditor-General.

The committee has established a working relationship with the Auditor-General of South Africa to perform the functions listed below during an official meeting of the audit and risk management committee:
- Review the Auditor-General's management report and management's response thereto;
- Review changes in accounting policies and practices;
- Review the council's compliance with legal and regulatory provisions;
- Review significant adjustments resulting from the audit.

The role and relationship between the Audit Committee and the Auditor-General still needs attention. Although the Auditor-General liaised at district level with all municipalities where the engagement letters and audit strategy documents were tabled and discussed, the audit committee of Phokwane municipality were not in attendance.

6. Internal Audit

The internal audit function is performed by municipal officials and the committee is not satisfied that all the responsibilities as defined in the MFMA was executed by the internal audit unit.

Chairperson of the Audit Committee 31 August 2014

Report of the Auditor General

To the Provincial Legislature of Phokwane Municipality

Report on the financial statements

I have audited the accompanying annual financial statements of the Phokwane Municipality which comprise the statement of financial position as at 30 June 2014, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the [directors' / accounting officer's / accounting authority's] report, as set out on pages 7 to 81.

Responsibility of the for the annual financial statements

The accounting officer is responsible for the preparation and fair presentation of these annual financial statements in accordance with [the applicable reporting framework/basis of accounting] [and in the manner required by the [Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA)] [Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)] [Auditor-General audit circular 1 of 2005] , and in the manner required by the Companies Act of South Africa [any applicable enabling legislation]. This responsibility includes:

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate accounting policies; and
- making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

As required by [section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA)] [and section XX of any applicable legislation], my responsibility is to express an opinion on these annual financial statements based on my audit.

I conducted my audit in accordance with the International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the:

- appropriateness of accounting policies used;
- reasonableness of accounting estimates made by management; and
- overall presentation of the financial statements.

Paragraph 11 et seq. of the Statement of Generally Recognised Accounting Practice, GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is still in the process of being developed, I have determined that my audit of any disclosures made by [name of entity] in this respect will be limited to reporting on non-compliance with this disclosure requirement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

Auditor General South Africa
Registered Auditors

Statement of Financial Position as at 30 June 2014

Figures in Rand	Note(s)	2014	2013 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	33 076 913	46 587 527
Receivables from exchange transactions	4	14 764 427	16 135 327
Receivables from non-exchange transactions	5	11 049 148	9 802 454
Inventories	7	61 385 705	61 400 076
VAT receivable	8	10 338 581	13 987 059
		130 614 774	**147 912 443**
Non-Current Assets			
Investment property	9	5 474 184	5 474 184
Property, plant and equipment	10	1 015 754 916	1 015 191 063
Intangible assets	11	397 308	19 071
Heritage assets	12	9	9
Operating lease asset - Deffered revenue	40	(10 326)	-
Operting lease assets	13	9 214	6 870
		1 021 625 305	**1 020 691 197**
Non-Current Assets		1 021 625 305	1 020 691 197
Current Assets		130 614 774	147 912 443
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**1 152 240 079**	**1 168 603 640**
Liabilities			
Current Liabilities			
Payables from exchange transactions	14	23 041 047	11 672 994
Finance lease obligation	15	63 281	56 718
Unspent conditional grants and receipts	16	8 105 322	6 931 881
Consumer deposits	17	2 542 300	2 501 444
Retirement benefit obligation	18	392 000	368 000
Provisions	19	21 199 814	12 264 283
Long service awards	20	287 000	385 000
		55 630 764	**34 180 320**
Non-Current Liabilities			
Finance lease obligation	15	52 222	115 502
Retirement benefit obligation	18	10 614 898	11 197 898
Provisions	19	1 390 094	8 222 521
Long service awards	20	2 434 000	1 930 000
		14 491 214	**21 465 921**
Non-Current Liabilities		14 491 214	21 465 921
Current Liabilities		55 630 764	34 180 320
Liabilities of disposal groups		-	-
Total Liabilities		**70 121 978**	**55 646 241**
Assets		1 152 240 079	1 168 603 640
Liabilities		(70 121 978)	(55 646 241)
Net Assets		**1 082 118 101**	**1 112 957 399**
Accumulated surplus		998 323 705	1 087 407 580

* See Note 43

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	486 806 729	486 806 729
Adjustments		
Prior year adjustments	759 013 019	759 013 019
Balance at 01 July 2012 as restated*	**1 245 819 748**	**1 245 819 748**
Changes in net assets		
(Deficit)/ Surplus for the year	(158 412 168)	(158 412 168)
Total changes	(158 412 168)	(158 412 168)
Opening balance as previously reported	1 030 764 407	1 030 764 407
Adjustments		
Prior year adjustments	(167 034)	(167 034)
Balance at 01 July 2013 as restated*	**1 030 597 373**	**1 030 597 373**
Changes in net assets		
(Deficit)/ Surplus for the year	(32 273 668)	(32 273 668)
Total changes	(32 273 668)	(32 273 668)
Balance at 30 June 2014	**998 323 705**	**998 323 705**

* See Note 43

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	81 382 180	89 951 692
Rental of facilities and equipment		362 268	422 640
Interest received (consumers)	23	10 030 462	8 092 855
Rendering of services	24	3 979 947	3 827 485
Interest received - investment	25	2 442 131	2 334 902
Total revenue from exchange transactions		**98 196 988**	**104 629 574**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	9 945 962	7 776 461
Transfer revenue			
Government grants & subsidies	27	111 344 271	129 302 875
Fines		99 160	74 036
Total revenue from non-exchange transactions		**121 389 393**	**137 153 372**
		98 196 988	104 629 574
		121 389 393	137 153 372
Total revenue	23	**219 586 381**	**241 782 946**
Expenditure			
Personnel	29	49 425 057	42 947 168
Remuneration of councillors	30	5 187 187	4 814 039
Depreciation and amortisation	31	37 884 987	197 552 055
Finance costs	32	1 285 519	1 243 549
Debt impairment	33	29 025 371	24 992 926
Repairs and maintenance		6 110 841	19 837 227
Bulk purchases	34	54 856 979	53 243 000
Contracted services	35	24 748 592	12 533 301
Grants and subsidies paid	36	13 187 515	7 026 280
General Expenses	37	31 621 191	39 394 745
Total expenditure		**253 333 239**	**403 584 290**
		-	-
Total revenue		219 586 381	241 782 946
Total expenditure		(253 333 239)	(403 584 290)
Operating deficit		**(33 746 858)**	**(161 801 344)**
Fair value adjustments		1 473 190	3 389 176
Deficit before taxation		(32 273 668)	(158 412 168)
Taxation		-	-
Deficit for the year		**(32 273 668)**	**(158 412 168)**

* See Note 43

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Taxation		5 328 625	7 770 151
Sale of goods and services		68 728 310	85 809 596
Government grants and subsidies		108 268 661	122 165 655
Interest income		2 442 131	2 334 902
Other receipts		113 660	74 036
		184 881 387	218 154 340
Payments			
Employee costs		(48 767 496)	(42 947 168)
Suppliers		(126 381 147)	(96 745 501)
Finance costs		(1 270 835)	(1 232 718)
Grants and subsidies paid		(7 284 470)	(7 026 280)
		(183 703 948)	(147 951 667)
Total receipts		184 881 387	218 154 340
Total payments		(183 703 948)	(147 951 667)
Net cash flows from operating activities	38	**1 177 439**	**70 202 673**
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(37 218 972)	(19 077 014)
Purchase of other intangible assets	11	(269 454)	-
Purchase of operting lease assets		(2 344)	-
Net cash flows from investing activities		**(37 490 770)**	**(19 077 014)**
Cash flows from financing activities			
Finance lease payments		(71 401)	(37 740)
Net increase/(decrease) in cash and cash equivalents		**(36 384 732)**	**51 087 919**
Cash and cash equivalents at the beginning of the year		46 587 527	37 024 769
Cash and cash equivalents at the end of the year	3	**10 202 795**	**88 112 688**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget R'000	Adjustments R'000	Final Budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000	Reference
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	12 216 054	(1 761 949)	**10 454 105**	9 945 962	**(508 143)**	note 53
Service charges	93 259 200	(18 719 915)	**74 539 285**	81 382 179	**6 842 894**	note 53
Rental of facilities	318 929	(96 129)	**222 800**	372 594	**149 794**	note 53
Investment revenue	8 667 404	2 201 623	**10 869 027**	11 869 859	**1 000 832**	note 53
Transfers recognised - operational	71 781 000	-	**71 781 000**	111 344 271	**39 563 271**	note 53
Other own revenue	5 783 044	(1 297 011)	**4 486 033**	5 552 296	**1 066 263**	note 53
Total Revenue (excluding capital transfers and contributions)	**192 025 631**	**(19 673 381)**	**172 352 250**	**220 467 161**	**48 114 911**	
Expenditure by type						
Employee costs	(44 375 644)	(1 176 062)	**(45 551 706)**	(49 425 057)	**(3 873 351)**	
Remuneration of councillors	(4 302 658)	(34 134)	**(4 336 792)**	(5 187 187)	**(850 395)**	
Debt impairment	(18 048 365)	(4 244 781)	**(22 293 146)**	(29 025 371)	**(6 732 225)**	
Depreciation & asset impairment	(7 293 106)	-	**(7 293 106)**	(37 884 987)	**(30 591 881)**	
Finance charges	-	-	**-**	(1 285 519)	**(1 285 519)**	
Materials and bulk purchases	(55 000 144)	-	**(55 000 144)**	(54 856 979)	**143 165**	
Transfers and grants	-	-	**-**	(13 187 515)	**(13 187 515)**	
Other expenditure	(58 525 366)	(1 261 365)	**(59 786 731)**	(85 887 399)	**(26 100 668)**	
Total expenditure	**(187 545 283)**	**(6 716 342)**	**(194 261 625)**	**(276 740 014)**	**(82 478 389)**	
Revenue	192 025 631	(19 673 381)	**172 352 250**	220 467 161	**48 114 911**	
Expenditure	(187 545 283)	(6 716 342)	**(194 261 625)**	(276 740 014)	**(82 478 389)**	
Other	-	-	**-**	-	**-**	
Surplus	**4 480 348**	**(26 389 723)**	**(21 909 375)**	**(56 272 853)**	**(34 363 478)**	
Transfers recognised - capital	45 593 500	43 770 111	**89 363 611**	-	**(89 363 611)**	
Surplus after capital transfers & contributions	**50 073 848**	**17 380 388**	**67 454 236**	**(56 272 853)**	**(123 727 089)**	
Surplus for the year	**50 073 848**	**17 380 388**	**67 454 236**	**(56 272 853)**	**(123 727 089)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget R'000	Adjustments R'000	Final Budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash	49 239 000	-	**49 239 000**	33 076 913	**(16 162 087)**	
Consumer debtors	19 079 000	-	**19 079 000**	14 755 568	**(4 323 432)**	
Other debtors	-	-	**-**	11 058 008	**11 058 008**	
VAT receivable	-	-	**-**	10 528 639	**10 528 639**	
Inventory	3 708 000	-	**3 708 000**	61 385 704	**57 677 704**	
	72 026 000	**-**	**72 026 000**	**130 804 832**	**58 778 832**	
Non-Current Assets						
Investment property	3 536 000	-	**3 536 000**	5 474 184	**1 938 184**	
Property, plant and equipment	248 298 000	-	**248 298 000**	907 169 046	**658 871 046**	
Heritage	-	-	**-**	158 380	**158 380**	
Intangible	9 000	-	**9 000**	31 316	**22 316**	
Other non-current assets	-	-	**-**	(1 113)	**(1 113)**	
	251 843 000	**-**	**251 843 000**	**912 831 813**	**660 988 813**	
Non-Current Assets	72 026 000	-	**72 026 000**	130 804 832	**58 778 832**	
Current Assets	251 843 000	-	**251 843 000**	912 831 813	**660 988 813**	
	-	-	**-**	-	**-**	
Total Assets	**323 869 000**	**-**	**323 869 000**	**1 043 636 645**	**719 767 645**	
Liabilities						
Current Liabilities						
Unspent conditional grants and receipts	-	-	**-**	(9 338 505)	**(9 338 505)**	
Finance lease obligation	-	-	**-**	(58 792)	**(58 792)**	
Consumer deposits	(3 427 000)	-	**(3 427 000)**	(2 542 300)	**884 700**	
Trade and other payables	(394 000)	-	**(394 000)**	(23 038 047)	**(22 644 047)**	
Provisions	-	-	**-**	(21 878 814)	**(21 878 814)**	
	(3 821 000)	**-**	**(3 821 000)**	**(56 856 458)**	**(53 035 458)**	
Non-Current Liabilities						
Finance lease obligation	-	-	**-**	(56 711)	**(56 711)**	
Provisions	(16 397 000)	-	**(16 397 000)**	(14 438 992)	**1 958 008**	
	(16 397 000)	**-**	**(16 397 000)**	**(14 495 703)**	**1 901 297**	
	(3 821 000)	-	**(3 821 000)**	(56 856 458)	**(53 035 458)**	
	(16 397 000)	-	**(16 397 000)**	(14 495 703)	**1 901 297**	
	-	-	**-**	-	**-**	
Total Liabilities	**(20 218 000)**	**-**	**(20 218 000)**	**(71 352 161)**	**(51 134 161)**	
Assets	323 869 000	-	**323 869 000**	1 043 636 645	**719 767 645**	
Liabilities	20 218 000	-	**20 218 000**	71 352 161	**51 134 161**	
Net Assets	**344 087 000**	**-**	**344 087 000**	**1 114 988 806**	**770 901 806**	
Community wealth/equity						
Accumulated Surplus/(Deficit)	(50 074 000)	-	**(50 074 000)**	(992 109 736)	**(942 035 736)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget R'000	Adjustments R'000	Final Budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000	Reference
Total community wealth/equity	**(50 074 000)**	**-**	**(50 074 000)**	**(992 109 736)**	**(942 035 736)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget R'000	Adjustments R'000	Final Budget R'000	Actual amounts on comparable basis R'000	Difference between final budget and actual R'000	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Taxation	-	-	**-**	5 328 625	**5 328 625**	
Sale of goods and services	109 551 000	(19 929 000)	**89 622 000**	68 728 310	**(20 893 690)**	
Government grants and subsidies	117 375 000	43 770 000	**161 145 000**	108 268 661	**(52 876 339)**	
Interest	10 613 000	256 000	**10 869 000**	2 433 272	**(8 435 728)**	
Other receipts	-	-	**-**	113 660	**113 660**	
	237 539 000	**24 097 000**	**261 636 000**	**184 872 528**	**(76 763 472)**	
Payments						
Suppliers and employees	(162 204 000)	-	**(162 204 000)**	(183 703 948)	**(21 499 948)**	-
Total receipts	237 539 000	24 097 000	**261 636 000**	184 872 528	**(76 763 472)**	
Total payments	(162 204 000)	-	**(162 204 000)**	(183 703 948)	**(21 499 948)**	
Net cash flows from operating activities	**75 335 000**	**24 097 000**	**99 432 000**	**1 168 580**	**(98 263 420)**	
Cash flows from investing activities						
Payments						
Capital assets	(45 594 000)	-	**(45 594 000)**	(14 607 793)	**30 986 207**	
Cash flows from financing activities						
Receipts						
Increase (decrease) in consumer deposits	(196 000)	-	**(196 000)**	-	**196 000**	
Payments						
Repayment of borrowing	-	-	**-**	(71 401)	**(71 401)**	
Net cash flows from investing activities	**(196 000)**	**-**	**(196 000)**	**(71 401)**	**124 599**	
Net increase/(decrease) in cash held	29 545 000	24 097 000	**53 642 000**	(13 510 614)	**(67 152 614)**	
Cash/cash equivalents at the year begin:	19 301 000	-	**19 301 000**	48 587 527	**29 286 527**	
Cash and cash equivalents at the end of the year	**48 846 000**	**24 097 000**	**72 943 000**	**35 076 913**	**(37 866 087)**	
Reconcilation						

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total expenditure.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	
• Landfill sites	6 years
Infrastructure	15-60 years
Community	2 - 10 years
Other property, plant and equipment	5-7 years
Finance Leased Assets	3 years

Accounting Policies

1.5 Property, plant and equipment (continued)

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Accounting Policies

1.6 Intangible assets (continued)

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software	5 years

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality’s operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset’s net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset’s fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset’s remaining service potential.

1.7 Heritage assets (continued)

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Accounting Policies

1.8 Financial instruments (continued)

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Accounting Policies

1.8 Financial instruments (continued)

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Investments	Financial asset measured at fair value
Receivables	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables	Financial liability measured at amortised cost

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Accounting Policies

1.9 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies

1.11 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset’s future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generatin g unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Accounting Policies

1.13 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.15 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

Accounting Policies

1.15 Provisions and contingencies (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.16 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

1.17 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

1.17 Revenue from non-exchange transactions (continued)

Fines

Revenue from the issuing of fines is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.18 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Accounting Policies

1.20 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the MFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity’s supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.23 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.24 Unspent conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.25 Unpaid conditional grants and receipts

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grant is receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

Accounting Policies

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013-06-01 to 2014-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

Comparative information is not required.

1.27 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed in accordance with IPSAS 20.

1.28 Capital commitments

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.29 Value Added Tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Accounting Policies

1.30 Short and Long term receivables

Short and Long term Receivables are classified as financial assets at amortised cost, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 1 (as revised 2012): Presentation of Financial Statements

Minor amendments were made to the statement of financial performance as well as the statement of changes in net assets. All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The impact of the amendment is not material.

GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors

Amendments were made to changes in accounting policies. A change to the cost model when a reliable measure of fair value is no longer available (or vice versa) for an asset that a Standard of GRAP would otherwise require or permit to be measured at fair value are no longer considered to be a change in an accounting policy in terms of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (as revised in 2010).

The effective date of the amendment is for years beginning on or after 01 April 2013

The impact of the amendment is not material

GRAP 9 (as revised 2012): Revenue from Exchange Transactions

Amendments were made to the scope and definitions.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The impact of the amendment is not material

GRAP 12 (as revised 2012): Inventories

Amendments were made to measurement after recognition.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The impact of the amendment is not material.

GRAP 13 (as revised 2012): Leases

Amendments were made to disclosures.

All amendments are to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The impact of the amendment is not material

GRAP 16 (as revised 2012): Investment Property

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Investment Property (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance.

Furthermore the assessment of significant use of an investment property has been clarified.

All amendments are to be applied prospectively.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2013.

The impact of the amendment is not material.

GRAP 17 (as revised 2012): Property, Plant and Equipment

Amendments were made to definitions, measurement at recognition, disposals and disclosure. Changes were made to the Standard of GRAP on Property, Plant and Equipment (as revised in 2010) to ensure the consistent application of the principle where assets are acquired in exchange for non-monetary assets when the exchange transaction lacks commercial substance. Furthermore the requirement to disclose property, plant and equipment that were temporarily idle, has been clarified.

All amendments are to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The impact of the amendment is not material.

GRAP 27 (as revised 2012): Agriculture (replaces GRAP 101)

This Standard of GRAP replaces the previous Standard of GRAP on Agriculture (GRAP 101) due to the International Public Sector Accounting Standards Board (IPSASB) that has issued an IPSAS on Agriculture (IPSAS 27).

The effective date of the standard is for years beginning on or after 01 April 2013.

The impact of the standard is not material.

GRAP 31 (as revised 2012): Intangible Assets (replaces GRAP 102)

This Standard of GRAP replaces the previous Standard of GRAP on Intangible Assets (GRAP 102) due to the IPSASB that has issued an IPSAS on Intangible Assets (IPSAS 31).

Changes made comprise three areas that can be summarised as follows:
- consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31;
- the deletion of guidance and examples from interpretations issued by the International Accounting Standards Board (IASB) previously included in GRAP 102; and
- changes to ensure consistency between the Standards of GRAP, or to clarify existing principles.

All amendments are to be applied retrospectively.

The effective date of the standard is for years beginning on or after 01 April 2013.

The impact of the standard is not material.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2014 or later periods:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 105: Transfers of Functions Between Entities Under Common Control

The objective of this standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control.

A transfer of functions between entities under common control is a reorganisation and / or reallocation of functions between entities that are ultimately controlled by the same entity before and after a transfer of functions.
In the event of a transfer of functions between entities under common control, the assets and liabilities should be recognised (by the acquirer) at their carrying amounts and should be derecognised (by the transferor) at their carrying amounts.

The difference between amount of consideration paid or received, if any, and the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a transfer of functions between entities under common control.
This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

GRAP 106: Transfers of Functions Between Entities not Under Common Control

The objective of this standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control.

A transfer of functions between entities not under common control is a reorganisation and / or reallocation of functions between entities that are not ultimately controlled by the same entity before and after a transfer of functions.

In the event of a transfer of functions between entities not under common control, the assets and liabilities should be recognised (by the acquirer) at their acquisition date fair values.

The difference between amount of consideration paid or received, if any, and the fair value of assets acquired and liabilities assumed should be recognised in accumulated surplus / (deficit).

For transfer of functions between entities not under common control there are some specific recognition and measurement principles and exceptions to the recognition and measurement principles.

Specific disclosures are required when there is a transfer of functions between entities not under common control.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomed effective.

The impact of the standard is currently being assessed.

GRAP 107: Mergers

The objective of this standard is to establish accounting principles for the combined entity and combining entities in a merger.

A merger is where a new combined entity is started, no acquirer can be identified and the combining entities do not have any control over the combined entity.

In the event of a merger, the assets and liabilities should be recognised (by the combined entity) at their carrying amounts and should be derecognised (by the combining entities) at their carrying amounts.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The difference between the carrying amounts of assets and liabilities should be recognised in accumulated surplus / (deficit).

Specific disclosures are required when there is a merger.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The impact of the standard is currently being assessed.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of the municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by the municipality within a particular region.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 20: Related Parties

The objective of this standard is to ensure that the reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The municipality (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between the municipality and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

The standard states that a related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard sets out the requirements, inter alia, for the disclosure of:
- control;
- related party transactions; and
- remuneration of management.

Only transactions with related parties where the transactions are not concluded within normal operating procedures or on terms that are not no more or no less favourable than the terms it would use to conclude transactions with another entity or person are disclosed.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The standard requires that remuneration of management must be disclosed per person and in aggregate.

This standard has been approved by the Accounting Standards Board but its effective date has not yet been determined by the Minister of Finance.

The municipality expects to adopt the standard for the first time once it becomes effective.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 395	1 395
Bank balances	27 846 584	41 533 632
Short-term deposits	5 228 934	5 052 500
	33 076 913	**46 587 527**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	**30 June 2013**	**30 June 2012**	**30 June 2014**	**30 June 2013**	**30 June 2012**
ABSA BANK - 1930000309	872 771	9 634 519	9 637 485	872 771	9 634 519	9 637 785
ABSA BANK - 1930000317	-	-	943 770	-	-	943 770
STANDARD BANK - 042608643000 (primary account)	27 223 955	32 333 100	-	26 973 813	31 899 113	-
STANDARD BANK Leave investment - 048550932-001	-	-	1 834 015	-	-	1 834 015
ABSA BANK Fixed deposit - 04855032-005	-	-	7 539 453	-	-	7 539 453
ABSA BANK General Call - Projects - 911851699	5 228 934	5 052 499	4 893 587	5 228 934	5 052 500	4 893 587
ABSA BANK General Replacement Reserve - 2057015909	-	-	1 626 266	-	-	1 626 266
STANDARD BANK 32 Day Notice Deposit - 48559032	-	-	1 043	-	-	1 043
STANDARD BANK Fixed Deposit- 048559032-006	-	-	5 273 727	-	-	5 273 727
STANDARD BANK Fixed Deposit- 048559032-007	-	-	5 273 727	-	-	5 273 727
Petty cash and float	-	-	-	1 395	1 395	-
Total	**33 325 660**	**47 020 118**	**37 023 073**	**33 076 913**	**46 587 527**	**37 023 373**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

4. Receivables from exchange transactions

Consumer debtors	187 665 207	160 740 674
Consumer debtors (Impairment)	(172 909 639)	(144 605 347)
Other debtors #1	8 859	-
	14 764 427	**16 135 327**

Refer to note 6 Consumer Debtors for the detail on the above mentioned Consumer debtors line item.

5. Receivables from non-exchange transactions

Government grants and subsidies	6 901 497	7 356 134
Property rates	22 026 403	17 409 066
Property rates (Impairment)	(17 963 981)	(15 114 050)
Other receivables	85 229	151 304
	11 049 148	**9 802 454**

Other receivables consist of other debtors and suspense accounts.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

6. Consumer debtors

	2014	2013
Gross balances		
Rates	22 026 403	17 409 066
Electricity	9 378 655	10 340 722
Water	47 536 334	39 748 302
Sewerage	37 608 297	32 265 658
Refuse	24 253 342	20 808 033
VAT on consumer debtors	17 007 000	14 962 846
Other consumer debtors	51 881 579	42 615 113
	209 691 610	**178 149 740**
Less: Allowance for impairment		
Rates	(17 963 981)	(15 114 350)
Electricity	(5 373 761)	(4 802 865)
Water	(44 125 115)	(36 611 455)
Sewerage	(36 979 980)	(31 735 804)
Refuse	(2 397 163)	(20 556 141)
VAT	(16 899 094)	(13 547 917)
Other consumer debtors	(67 125 312)	(37 344 295)
	(190 864 406)	**(159 712 827)**
Net balance		
Rates	4 062 422	2 294 716
Electricity	3 459 512	5 537 857
Water	2 768 427	3 136 846
Sewerage	628 317	529 854
Refuse	21 856 179	251 892
VAT	107 906	1 414 929
Other consumer debtors	(15 837 608)	5 270 818
	17 045 155	**18 436 913**
Rates		
Current (0 -30 days)	875 959	572 416
31 - 60 days	577 070	360 606
61 - 90 days	537 001	338 834
> 90 days	20 036 373	16 137 210
Impairment	(17 963 981)	(15 114 350)
	4 062 422	**2 294 716**
Electricity		
Current (0 -30 days)	2 232 461	4 170 082
31 - 60 days	778 298	907 492
61 - 90 days	501 902	515 845
> 90 days	5 320 509	4 747 302
Impairment	(5 373 761)	(4 802 865)
	3 459 409	**5 537 856**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

6. Consumer debtors (continued)

Water		
Current (0 -30 days)	1 491 209	1 882 001
31 - 60 days	1 612 111	1 084 947
61 - 90 days	1 003 594	1 163 299
> 90 days	42 786 628	35 618 055
Impairment	(44 125 115)	(36 611 455)
	2 768 427	**3 136 847**

Sewerage		
Current (0 -30 days)	685 478	574 505
31 - 60 days	610 898	483 817
61 - 90 days	595 048	545 064
> 90 days	35 716 872	30 662 272
Impairment	(36 979 980)	(31 735 804)
	628 316	**529 854**

Refuse		
Current (0 -30 days)	440 220	364 600
31 - 60 days	394 349	316 051
61 - 90 days	382 432	341 392
> 90 days	23 036 341	19 785 991
Impairment	(23 971 693)	(20 556 141)
	281 649	**251 893**

VAT on consumer debtors		
Current (0 -30 days)	673 867	966 203
31 - 60 days	474 626	380 432
61 - 90 days	347 250	349 133
91 - 120 days	15 511 258	13 267 077
Impairment	(16 899 094)	(13 547 917)
	107 907	**1 414 928**

Other consumer debtors		
Current (0 -30 days)	1 105 648	712 039
31 - 60 days	934 782	792 284
61 - 90 days	862 984	702 686
> 90 days	48 384 290	40 408 105
Impairment	(45 550 782)	(37 344 295)
	5 736 922	**5 270 819**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

6. Consumer debtors (continued)

Summary of debtors by customer classification

Consumers		
Cost	183 326 605	155 784 702
	183 326 605	155 784 702
Less: Allowance for impairment	(180 293 378)	(152 935 500)
	3 033 227	**2 849 202**
Industrial/ commercial		
Cost	13 226 827	13 219 655
	13 226 827	13 219 655
Less: Allowance for impairment	(10 571 021)	(6 777 326)
	2 655 806	**6 442 329**
National and provincial government		
Cost	11 354 348	9 145 383
Less: Allowance for impairment	-	-
	11 354 348	**9 145 383**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(159 712 827)	(133 304 672)
Contributions to allowance	(31 151 579)	(26 408 155)
	(190 864 406)	**(159 712 827)**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

7. Inventories

	2014	2013
Consumable stores	1 621 616	1 523 202
Water – at cost	281 089	393 874
RDP Land	59 483 000	59 483 000
	59 764 089	59 876 874
	61 385 705	**61 400 076**

No inventory assets were pledged as security for liabilities.

8. VAT receivable

	2014	2013
VAT	10 338 581	13 987 059

The Municipality is registered for VAT on the cash basis.
VAT is paid over to SARS only once paymet is received from debtors.
The carrying value amount of VAT receivable approximates fair value due to its short-term nature.

9. Investment property

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	5 839 130	(364 946)	5 474 184	5 474 184	-	5 474 184

Reconciliation of investment property - 2014

	Opening balance	Difference	**Depreciation**	**Total**
Investment property	5 272 271	**384 386**	(182 473)	5 474 184

Reconciliation of investment property - 2013

	Opening balance	**Total**
Investment property	5 474 184	5 474 184

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

10. Property, plant and equipment

	2014			2013		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and Buildings	238 499 595	(18 194 153)	220 305 442	238 427 585	(10 511 338)	227 916 247
Community	11 268 446	(6 008 509)	5 259 937	7 200 877	(586 908)	6 613 969
Infrastructure	1 038 084 421	(267 721 628)	770 362 793	1 006 217 465	(240 966 916)	765 250 549
Leased office equipment	185 455	(77 231)	108 224	185 455	(15 412)	170 043
Other property, plant and equipment	14 650 839	(8 929 977)	5 720 862	13 438 400	(11 188 266)	2 250 134
Work in progress	13 997 658	-	13 997 658	12 990 121	-	12 990 121
Total	**1 316 686 414**	**(300 931 498)**	**1 015 754 916**	**1 278 459 903**	**(263 268 840)**	**1 015 191 063**

Reconciliation of property, plant and equipment - 2014

	Opening balance	**Additions**	**Depreciation**	**Total**
Land and Buildings	227 916 247	72 010	(7 682 815)	220 305 442
Community	6 613 969	754 842	(2 108 874)	5 259 937
Infrastructure	765 250 549	31 866 955	(26 754 711)	770 362 793
Leased office equipment	170 043	-	(61 819)	108 224
Other property, plant and equipment	2 250 134	4 525 165	(1 054 437)	5 720 862
Work in Progress	13 997 658	-	-	13 997 658
	1 016 198 600	**37 218 972**	**(37 662 656)**	**1 015 754 916**

Reconciliation of property, plant and equipment - 2013

	Opening balance	**Additions**	**Depreciation**	**Total**
Land and Buildings	230 255 610	3 742 849	(6 082 212)	227 916 247
Community	7 132 535	-	(518 566)	6 613 969
Infrastructure	931 785 901	2 344 044	(168 879 396)	765 250 549
Leased office equipment	185 456	-	(15 413)	170 043
Other property, plant and equipment	4 878 275	-	(2 628 141)	2 250 134
Work in Progress	-	12 990 121	-	12 990 121
	1 174 237 777	**19 077 014**	**(178 123 728)**	**1 015 191 063**

Reconciliation of Work-in-Progress 2014

	Included within Other PPE	**Total**
Opening balance	13 997 658	13 997 658

Reconciliation of Work-in-Progress 2013

	Included within Other PPE	**Total**
Additions/capital expenditure	13 997 658	13 997 658

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

10. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

11. Intangible assets

	2014			2013		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software and licenses	468 728	(71 420)	397 308	49 879	(30 808)	19 071

Reconciliation of intangible assets - 2014

	Opening balance	Difference	**Additions**	**Amortisation**	**Total**
Computer software and licenses	19 071	**149 395**	269 454	(40 612)	397 308

Reconciliation of intangible assets - 2013

	Opening balance	Difference	**Amortisation**	**Total**
Computer software and licenses	178 442	**(149 395)**	(9 976)	19 071

12. Heritage assets

	2014			2013		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Historical buildings and paintings	158 380	(158 371)	9	158 380	(158 371)	9

Reconciliation of heritage assets 2014

	Opening balance	**Total**
Histortical buildings and paintings	9	9

Reconciliation of heritage assets 2013

	Opening balance	**Total**
Art Collections, antiquities and exhibits	9	9

13. Operting lease assets

	2014	2013
Consumer debtors - cost	2 241 907	2 252 820
Consumer debtors - impaired	(2 232 693)	(2 245 950)
	9 214	**6 870**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

13. Operting lease assets (continued)

Receivables with arrangements are classified as long term receivables as the period to repay the outstanding balance exceeds 12 months.

14. Payables from exchange transactions

Staff bonus acrrual	1 242 957	1 016 126
Staff leave accrual	3 889 347	3 256 959
Other creditors	565 823	31 521
Payments received in advance	3 416 817	2 699 240
Trade payables	13 926 103	4 669 148
	23 041 047	**11 672 994**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

15. Finance lease obligation

The following assets were subject to finance leases at year end, at amortised cost:

	2014	2013
Konica Minolta - Bizhub B751 - 41003745	56 136	83 701
Konica Minolta - Bizhub C454 - J04100290	48 941	72 973
Konica Minolta - Bizhub B36 - X041100091	10 426	15 546
	115 503	**172 220**
Transferred to current liabilities	(63 281)	(56 718)
Non-current liability	52 222	115 502

	2014	2013
Minimum lease payments due		
- within one year	72 859	72 859
- in second to fifth year inclusive	54 644	127 503
	127 503	200 362
less: future finance charges	(12 000)	(28 142)
Present value of minimum lease payments	**115 503**	**172 220**

	2014	2013
Present value of minimum lease payments due		
- within one year	63 281	56 718
- in second to fifth year inclusive	52 222	115 502
	115 503	**172 220**

	2014	2013
Non-current liabilities	52 222	115 502
Current liabilities	63 281	56 718
	115 503	**172 220**

Interest rates are fixed at the contract date. All leases have fixed repayments.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

Market risk

The carrying amounts of finance lease liabilities are denominated in the following currencies:

	2014	2013
Rand	60 280	115 502

For details of sensitivity of exposures to market risk related to finance lease liabilities, as well as liquidity risk refer to note 44.

The fair value of finance lease liabilities approximates their carrying amounts.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

16. Unspent conditional grants and receipts

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

Unspent conditional grants and receipts comprises of:

	2014	2013
Unspent conditional grants and receipts		
MSIG	(326 055)	208 280
COGHSTA	3 119 418	3 076 640
FMG	326 055	287 496
EPWP	2 139 701	2 139 701
Northern Cape Roads	1 364 573	-
Library Grant	1 481 630	1 219 764
	8 105 322	**6 931 881**

Movement during the year

	2014	2013
Balance at the beginning of the year	6 931 881	6 603 584
Receipts during the year	8 678 988	5 635 000
Income recognition during the year	(6 272 364)	(5 306 703)
Undefined Difference	**(1 233 183)**	**-**
	8 105 322	**6 931 881**

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 27 for reconciliation of grants from National/Provincial Government.

17. Consumer deposits

	2014	2013
Electricity and Water	2 542 300	2 500 620
Town Hall	-	824
	2 542 300	**2 501 444**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

18. Retirement benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality offers employees and continuation members (pensioners) the opportunity of belonging to one of serveral medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement,an employee may conitnue membership of the medical aid scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical aid scheme.

The amounts recognised in the statement of financial position are as follows:

	2014	2013
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	11 006 898	11 565 898
Non-current liabilities	10 614 898	11 197 898
Current liabilities	392 000	368 000
	11 006 898	**11 565 898**

Changes in the present value of the defined benefit obligation are as follows:

	2014	2013
Opening balance	11 566 000	13 322 000
Benefits paid	(377 000)	(305 234)
Net expense recognised in the statement of financial performance	(182 000)	(1 450 766)
	11 007 000	**11 566 000**

Net expense recognised in the statement of financial performance

	2014	2013
Current service cost	512 000	638 000
Interest cost	919 000	1 051 000
Actuarial (gains) losses	(1 613 000)	(3 139 766)
	(182 000)	**(1 450 766)**

Calculation of actuarial gains and losses

	2014	2013
Actuarial (gains) losses – Obligation	(1 613 000)	(3 173 742)

Key assumptions used

Assumptions used at the reporting date:

	2014	2013
Discount rates used	8.94 %	7.89 %
Consumer price inflation	7.05 %	6.14 %
Medicalaid contribution inflation	8.05 %	7.14 %
Net effective discount rate	0.82 %	0.70 %

GRAP 25 defines the determination of the discount rate assumption to be used as the rate that can "be referenced to market yields at the reporting date on government bonds."

The discount rate wastherefore set as theyield of the R208 South African government bind as at the valuation date. The actual yield on the R208 bond was sourced from the RMB Global Markets website on 30 June 2014.

Figures in Rand	2014	2013

18. Retirement benefit obligations (continued)

Other assumptions

Assumed medical aid inflation has a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed medical aid inflation would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	1 730 000	1 171 000
Effect on defined benefit obligation	13 008 000	9 407 000

Amounts for the current and previous four years are as follows:

	2014 R	**2013 R**	**2012 R**		
Defined benefit obligation	11 007 000	11 566 000	13 322 000	-	-

Defined contribution plan

Cape Joint Retirement Fund

Council contributes to the Cape Joint Retirement Fund which is a defined contribution fund. This fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service cost.

The municipality is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is	640 213	499 945

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

19. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Additions	Total
Environmental rehabilitation	20 486 804	2 103 104	22 589 908

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation	4 429 126	16 057 678	20 486 804

	2014	2013
Non-current liabilities	1 390 094	8 222 521
Current liabilities	21 199 814	12 264 283
	22 589 908	**20 486 804**

Environmental rehabilitation provision

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

Area of the rehabilitation sites	Jan Kempdorp	Hartswater (Old)	Hartswater (New)	Ganspan	Pampierstad
Area (ha)	2.9	2.3	4.8	4.6	1.9

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. Total cost and estimated date of decommission of the sites are as follows:

As disclosed in note 41, Contingencies, the municipality does not have a permit of licence for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Enviromental Conservation Act.

Municipal site	Year	2014 Provision
Old Hartswater	2014	2 508 300
New Hartswater	2018	8 988 023
Jan Kempdorp	2014	3 063 478
Ganspan	2014	5 321 123
Pampierstad	2014	2 708 984
		22 589 908

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

20. Long service awards

Non-current liabilities	2 434 000	1 930 000
Current liabilities	287 000	385 000
	2 721 000	**2 315 000**

The long service awards plan is a defined benefit plan. At year end 305 (2013 - 271) employees were elegible for long service leave awards.

The current service cost for the ensuing year is estimated to be R342,000 (2013 - R275,000) whereas the interest cost for the next year is estimated to be R217,000 (2013 - R172,000).

As at the valuation date, the long service award liability of the municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not value any assets as part of our valuation.

The key assumptions utilised by management in determining the long service leave award liability are listed below:		
Discount rate	7.96	7.40
Salary increase	7.33	6.66
Normal retirement age	65	63
Consumer price inflation	6.33	5.66
	-	-

Present value of unfunded obligation:		
Present value of unfunded obligation	2 721 000	2 315 000

Reconciliation of present value of fund obligation		
Present value of fund obligation at the beginning of the year	(2 315 000)	(2 223 990)
Current service cost	(275 000)	(340 025)
Interest cost	(172 000)	(130 083)
Benefits paid	180 810	129 688
Actuarial gain / (losses)	(139 810)	249 410
	(2 721 000)	**(2 315 000)**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

21. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At fair value	Total
Receivables from exchange transactions	14 755 568	14 755 568
Receivables from non-exchange transactions	11 031 194	11 031 194
Cash and cash equivalents	33 076 913	33 076 913
	58 863 675	**58 863 675**

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	23 038 047	23 038 047
Consumer deposits	2 542 300	2 542 300
Unspent conditonal grants and receipts	8 105 322	8 105 322
Finance lease obligation	115 502	115 502
	33 801 171	**33 801 171**

2013

Financial assets

	At fair value	Total
Receivables from exchange transactions	14 569 195	14 569 195
Receivables from non-exchange transactions	3 861 149	3 861 149
Cash and cash equivalents	46 587 527	46 587 527
	65 017 871	**65 017 871**

Financial liabilities

	At fair value	Total
Trade and other payables from exchange transactions	4 669 148	4 669 148
Consumer deposits	2 501 444	2 501 444
Unspent condiional grants and receipts	6 931 881	6 931 881
Finance lease obligation	172 220	172 220
	14 274 693	**14 274 693**

22. Service charges

Refuse removal	6 649 070	5 884 897
Sale of electricity	42 644 334	51 923 383
Sale of water	21 744 173	22 959 371
Sewerage and sanitation charges	10 344 603	9 184 041
	81 382 180	**89 951 692**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

23. Revenue

Fines	99 160	74 036
Government grants & subsidies	111 344 271	129 302 875
Interest received (debtors)	10 030 462	8 092 855
Property rates	9 945 962	7 776 461
Rental of facilities and equipment	362 268	422 640
Service charges	81 382 180	89 951 692
	213 164 303	**235 620 559**

The amount included in revenue arising from exchanges of goods or services are as follows:

Interest received (debtors)	10 030 462	8 092 855
Interest received - investment	2 442 131	2 334 902
Rental of facilities and equipment	362 268	422 640
Service charges	81 382 180	89 951 692
	94 217 041	**100 802 089**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	9 945 962	7 776 461
Transfer revenue		
Government grants & subsidies	111 344 271	129 302 875
Fines	99 160	74 036
	121 389 393	**137 153 372**

24. Rendering of services

Commission received	83 618	64 572
Connection fees	90 250	138 032
Licenses and permits	1 059 161	1 186 581
Other services	986 611	997 483
Registration and certificates	1 760 307	1 440 817
	3 979 947	**3 827 485**

25. Investment revenue

Interest revenue		
Banks	2 442 131	2 334 902
	-	-
	2 442 131	2 334 902

26. Property rates

Rates received

Property rates	9 945 962	7 776 461

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

27. Government grants and subsidies

Operating grants		
Equitable share	67 054 000	63 719 000
COGHSTA	1 233 183	558 852
WSOG	11 977 725	1 357 000
Northern Cape Roads	2 844 637	-
FMG	1 477 592	1 717 026
EPWP	1 000 000	1 007 537
Library grant	725 135	3 563 869
DWAF	-	10 177 928
INEP	-	1 158 382
	86 312 272	83 259 594
Capital grants		
Municipal Infrstructure Grant	25 031 999	46 043 281
	25 031 999	46 043 281
	111 344 271	**129 302 875**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	43 057 088	65 583 875
Unconditional grants received	67 054 000	63 719 000
	110 111 088	**129 302 875**

Equitable Share

Balance unspent at beginning of year	-	-
Current-year receipts	67 054 000	63 719 000
Conditions met - transferred to revenue	(67 054 000)	(63 719 000)
	-	-
Closing Balance	**-**	**-**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

MSIG

Balance unspent at beginning of year	343 183	102 035
Current-year receipts	890 000	800 000
Conditions met - transferred to revenue	(1 233 183)	(558 852)
	-	**343 183**

Conditions still to be met - remain liabilities (see note 16).

COGHSTA

Balance unspent at beginning of year	3 076 640	3 076 640
Current-year receipts	42 778	-
	3 119 418	**3 076 640**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

27. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 16).

FMG

	2014	2013
Balance unspent at beginning of year	(72 407)	289 433
Current-year receipts	1 550 000	1 500 000
Conditions met - transferred to revenue	(1 477 593)	(1 717 026)
	-	**(72 407)**

Conditions still to be met - remain liabilities (see note 16).

EPWP

	2014	2013
Balance unspent at beginning of year	2 139 701	2 147 237
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 000 000)	(1 007 536)
	2 139 701	**2 139 701**

Conditions still to be met - remain liabilities (see note 16).

Dept of Roads and Public Works

	2014	2013
Current-year receipts	4 209 210	-
Conditions met - transferred to revenue	(2 844 637)	-
	1 364 573	**-**

Conditions still to be met - remain liabilities (see note 16).

Library Grant

	2014	2013
Balance unspent at beginning of year	1 219 764	908 053
Current-year receipts	987 000	978 000
Conditions met - transferred to revenue	(725 134)	(666 289)
	1 481 630	**1 219 764**

Conditions still to be met - remain liabilities (see note 16).

28. Auditors' remuneration

	2014	2013
Fees	2 669 241	2 225 951

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

29. Employee related costs

Acting allowances	166 884	177 807
Basic	33 717 571	29 403 743
Bonus	2 854 970	2 531 240
Employee Related Costs - Contributions for Pensions and Medical Aids	7 656 684	6 629 250
Housing benefits and allowances	163 902	177 977
Leave pay provision charge	963 367	571 782
Long-service awards	275 000	340 025
Other payment- Bargaining Council	23 331	19 909
Overtime payments	1 429 035	968 999
Defined contribution plans	512 000	638 000
SDL	402 795	344 017
Travel, motor car, accommodation, subsistence and other allowances	929 215	841 890
UIF	330 303	284 114
WCA	-	18 415
	49 425 057	**42 947 168**

Remuneration of municipal manager

Annual Remuneration	597 840	576 893
Car Allowance	109 515	107 120
Cellphone Allowance	8 904	8 656
Annual Bonus	49 820	47 000
Contributions to UIF, Medical and Pension Funds	142 613	136 425
	908 692	**876 094**

Remuneration of chief finance officer

Annual Remuneration	462 305	436 137
Car Allowance	91 272	85 570
Housing Allowance	60 963	58 432
Annual Bonus	38 525	36 345
Contributions to UIF, Medical and Pension Funds	124 112	116 656
	777 177	**733 140**

Remuneration of Planning and Operations Director

Annual Remuneration	410 541	-
Car Allowance	35 097	-
Cellphone Allowance	636	-
Annual Bonus	26 472	-
Contributions to UIF, Medical and Pension Funds	98 669	-
	571 415	**-**

For the 2013/14 period, the Planning and Operations Director was only employed for 6 months, which has resulted in the increase in the salary noted above.

Remuneration of Infrastruture and Human Settlement Officer

Annual Remuneration	269 500	-
Car Allowance	65 618	-
Cellphone Allowance	4 452	-
Annual Bonus	22 458	-
Housing Allowance	27 301	-
Contributions to UIF, Medical and Pension Funds	72 952	-

Notes to the Annual Financial Statements

29. Employee related costs (continued)

	462 281	**-**

For the 2013/14 period, the Infrastructure and Human Settlement Officer was only employed for 7 months, which has resulted in the increase in the salary noted above.

Corporate and human resources (corporate services)

Annual Remuneration	-	356 680
Car Allowance	-	35 545
Performance Bonuses	-	2 796
Contributions to UIF, Medical and Pension Funds	-	35 533
Other	-	17 542
Other	-	47 714
	-	32 007
	-	**527 817**

For the 2012/13 period, the Corporate services manager was only employed for 8 months, which has resulted in the decrease in salary noted above.

30. Remuneration of councillors

Mayor	704 202	661 508
Speaker	567 688	534 759
Mayoral Committee Members	901 413	836 055
Councillors	2 687 379	2 252 111
Councillors’ pension contribution	326 506	529 606
	5 187 188	**4 814 039**

Councillors Remuneration

Included in the remuneration above are two (2) Section 79 Chairpersons who have been paid during the 2012/13 year in excess of the Upper Limits of the Remuneration of Public Officer Bearers Act. The remuneration to these Section 79 Chairpersons was in line with the remuneration paid in the previous 2011/12 year. This excess remuneration is in line with SALGA Circular 40/2012 paragraph 1(g), which allows previously paid salary levels to be maintained until such time as the amount received is less than the upper limits amount.

In-kind benefits

The Mayor and Speaker are full-time. Each is provided with an office and shared secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

31. Depreciation and amortisation

Property, plant and equipment	37 884 987	197 552 055

32. Finance costs

Finance leases	14 684	10 831
Post retirement benefit obligation	1 092 457	1 181 083
Trade and other payables	178 378	51 635
	1 285 519	**1 243 549**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

33. Debt impairment

Debt impairment	29 025 371	24 992 926

34. Bulk purchases

Electricity	45 274 008	36 841 551
Water	9 582 971	16 401 449
	54 856 979	**53 243 000**

35. Contracted services

Operating Leases	219 089	252 777
Specialist Services	12 081 645	12 280 524
Other Contractors	12 447 858	-
	24 748 592	**12 533 301**

36. Grants and subsidies paid

Free Services and Indigents - Electricity	7 206 229	2 644 014
Free Services and Indigents - Refuse	1 305 096	476 771
Free Services and Indigents - Sewerage	2 940 061	829 476
Free Services and Indigents - Water	1 736 129	3 076 019
Total Grants and Subsidies	**13 187 515**	**7 026 280**
Grants paid to ME's	-	-
Other subsidies	13 187 515	7 026 280

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

37. General expenses

Advertising	4 838	2 543
Assets expensed	68 240	30 778
Auditors remuneration	2 669 241	2 225 951
Bank charges	170 872	250 800
Chemicals	1 051 231	2 195 378
Cleaning	71 656	68 165
Conferences and seminars	30 020	31 600
Consulting and professional fees	1 280 484	374 402
Electricity	2 520 907	1 905 149
Entertainment	199 277	162 732
Fines and penalties	-	103 557
Fuel and oil	1 489 478	1 114 944
Insurance	357 745	447 530
Lease rentals on operating lease	38 582	104 308
Magazines, books and periodicals	11 913	64 320
Motor vehicle expenses	415 245	771 987
Postage and courier	139 453	336 445
Printing and stationery	830 525	795 206
Protective clothing	282 251	42 483
Refuse	48 167	12 930
Security (Guarding of municipal property)	1 412 998	1 469 103
Subscriptions and membership fees	398 928	997 184
Telephone and fax	1 205 140	1 121 939
Training	1 292 224	423 430
Other expenses	15 631 776	24 341 881
	31 621 191	**39 394 745**

38. Cash generated from operations

Deficit	(32 273 668)	(158 412 168)
Adjustments for:		
Depreciation and amortisation	37 884 987	197 552 055
Actuarial (gains) losses	(1 473 190)	(3 389 176)
Finance costs - Finance leases	14 684	10 831
Debt impairment	29 025 371	24 992 926
Movements in long service awards	406 000	91 010
Movements in retirement benefit obligation	(559 000)	(1 756 000)
Movements in provisions	2 103 104	16 057 678
Other non-cash items (prior period errors)	(51 907 244)	80 996 243
Changes in working capital:		
Inventories	14 371	(82 436 814)
Consumer debtors	2 957 890	(5 812 611)
Other receivables from non-exchange transactions	(1 246 694)	(5 228 218)
Payables from exchange transactions	11 368 053	10 238 608
VAT	3 648 478	(2 993 634)
Unspent conditional grants and receipts	1 173 441	(77 379)
Consumer deposits	40 856	369 322
	1 177 439	**70 202 673**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

39. Commitments

Authorised expenditure

Approved and contracted for		
• Property, plant and equipment	49 430 476	34 437 197
• Operational expenditure	-	786 600
	49 430 476	**35 223 797**

The committed capital expenditure relates to plant and equipment and will be financed by government grants and internal funds. The committed operational expenditure relates to services and will be financed by internal funds.

40. Operating lease income

The municipality has properties under operating leases.

No investment properties have been disposed of since the statement of financial performance date.

No contingent rents were recognised as revenue in the period.

Phokwane Local Municipality rents buildings and sportfields situated in Jan Kempdorp and Hartswater to the public.
The expired date of the leases is as follows:

2014/2015 financial year	two contracts
2015/2016 financial year	two contracts
2016/2017 finanical year	one contract
2017/2018 financial year	one contract
indifinte period	seven contracts

Only two lease rental contracts are escalating annually.

At the Statement of Financial Position date, where the municipality acts as a lessor under non-cancellable operating leases, it will receive operating lease income as follows:

- within one year	51 545	151 728
- in two to five years	90 335	141 870
	141 880	**293 598**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

41. Contingencies

Babereki Consulting Engineers vs Phokwane LM	19 037 583	19 037 583
Komansi vs Phokwane LM	2 695 000	2 695 000
Bidco Investment / Morula Project vs Phokwane LM	243 553	243 553
Key management performance contracts	112 646	112 646
Department of Environmental Affairs	10 000 000	10 000 000
	32 088 782	**32 088 782**

The Babereki Consulting Engineers vs Phokwane LM matter relates to a claim order for specific performance for an amount of R19 037 583. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely.

The Komanisi vs Phokwane LM matter relates to damages incurred in participation of a housing construction contract for an amount of R2 695 000. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely. The legal costs are estimated at R165 000.

The Ganspan Small Scale Farmers Members vs Phokwane LM matter's contingent amount in the prior year was unknown. The matter is disregarded in the current year as no claims have yet been made. No claims are expected to be made. The legal costs are estimated at R145 000.

The Bidco Investment / Morula Project vs Phokwane LM matter relates to damages for a terminated agreement for an amount of R243 552. The matter is currently in progress. The legal costs are estimated at R80 000.

The M Ndwanya vs Phokwane LM matter relates to labour dispute. The amount disclosed in the prior year was unknown. The amount to be disclosed in the current year remains unknown. The matter is currently in progress.

The municipality does not have a permit or licence for any of the landfill sites currently in use and could be liable for a penalty in terms of section 24G of the Environmental Conservation Act.

As at year-end, certain key management personnel have performance contracts in place that make provision for certain payments to be made as conditions are met. Some of the applicable conditions were met, thus resulting in amounts that may be paid to the parties. The bonus amounts have not been paid in any prior years and payment is not probable.

During the 2010/11 and 2011/12 financial years, the municipality charged electricity tariffs in excess of those approved by NERSA, which was in contravention to section 15(2) of the Electricity Regulation Act, 2006 (Act No. 4 of 2006) (ERA). Section 15(3) of the ERA, however prescribes that the Regulator may, in prescribed circumstances, approve a deviation from set or approved tariffs. The municipality has acknowledged the deviation and has been in discussions with the NERSA and stakeholders to determine means to address the deviation. However the approval for the deviation has not yet been provided by the Regulator. The possible overstatement of revenue and receivables from exchange transactions was calculated as follows, for the respective financial years:
2010/11: R17 901 698
2011/12: R28 195 209

The Trade Union, IMATU contested the implementation of a wage curve agreement in the Labour Court and the court ruled in favour of IMATU. The Employers Organisation, SALGA, resolved to take the ruling of the Labour Court on review. The effect of the ruling is a general 2% increase in remuneration as from October 2009.

Contingent assets

The municipality did not have any contingent assets noted for the year under review.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

42. Related parties

Accounting Officer	No related parties transactions noted except for remuneration as disclosed in note 29
Close family member of non-key management	ThatoyaneTrading CC Senteho Trading Enterprise CC Borobatlou Security and Projects CC

Key Management and receive and pay for services on the same terms and conditions as other ratepayers / residents.

Related party transactions and balances

	2014	2013
Services charged to related parties (Senior Managers)		
Sengani, R	1 656	-
Sediti, TP	9 067	7 288
Dichaba, MP	36 139	9 216
Nikani, Z	15 992	-
Motswana, M	-	8 349
Rates charged to related parties (Senior Managers)		
Dichaba, MP	3 395	4 357
Receivable balances from related parties (Senior Managers)		
Sengani, R	1 656	-
Sediti, TP	5 000	5 417
Dichaba, MP	10 221	1 336
Nikani, Z	1 398	-
Motswana, M	-	7 703
Trsanctions family member related party transaction		
Thatonyane Trading CC	897 480	389 400

The member of Thatoyane Trading CC is a spouse of an employee of the municipality, "Ms N. Vinger (Financial Controller: Rates & Valuations)"

Key management information

Class	**Remuneration**	**Number**
Section 56 Managers	Refer to note 26	4
Mayor	Refer to note 27	1
Councillors	Refer to note 27	17
Municipal Managers	Refer to note 26	1

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

43. Prior period errors

43.1 Prior period error - Receivables from exchange transactions for grant income:

During the period under review it was identified that certain consumer debtors with credit balances were grant income that was not recognised in the prior years. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial position:	
Decrease in payables from exchange transactions	2 897 580
Statement of Financial performance:	
Increase in grant income	(2 897 580)

43.2 Prior period error - Long service awards expenditure captured twice:

The long service awards expenditure of the municipality was captured twice during the prior period under review. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial position:	
Increase in long service awards liability	(129 688)
Statement of Financial performance:	
IIncrease in personnel cost	129 688

43.3 Prior period error - Debtor raised twice:

A debtor was raised twice for services paid during the prior period under review. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

43. Prior period errors (continued)

Statement of Financial position:	
Decrease in receivables from non-exchange transactions	9 327
Statement of Financial performance:	
Decrease in general expenses	(9 327)

43.4 Prior period error - Rental income not recognised:

During the period under review it was identified that a debtor was not billed for rental income to be recognised in the prior years. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial position:	
Increase in the receivables from exchange transactions	126 096
Statement of Financial performance:	
Increase in rental from facilities	(126 096)

43.5 Prior period error - Closing of bank account:

During the prior period under review the municipality closed a bank account. There was an extra bank charge that was not expensed. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial position:	
Decrease in cash and cash equivalents	(11)
Statement of Financial performance:	
Increase in general expenses	11

43.6 Prior period error - Rehabilitation cost misstated:

During the period under review the municipality noted that and long term provision for the rehabilitation of the landfill site in Hartswater was not provided for at 30 June 2013. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial position:	
Increase in provisions	(4 636 806)
Statement of Financial performance:	
Increase in repairs and maintenance	4 636 806

43.7 Prior period error – Salary overpaid

During the period under review the entity identified that salaries overpaid was not raised as a debtors at 30 June 2013. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial position:	
Increase in the receivables from non-exchange transactions	(10 000)
Statement of Financial performance:	
Increase in personnel cost	10 000

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

43. Prior period errors (continued)

43.8 Prior period error - Finance leased assets not depreciated

During the period under review the municipality identified that depreciation for finance leased assets held was not expensed during 30 June 2013. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

	2014	2013
Statement of Financial position:		
Decrease in property, plant and equipment	(15 412)	
Statement of Financial performance:		
Increase in depreciation	15 412	

43.9 Prior period error - Town hall deposits

During the period under review the municipality identified that rental income was incorrectly allocated to town hall deposits and deposits were forfeited due to time lapsed to claim back. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

	2014	2013
Statement of Financial position:		
Decrease in consumer deposits	2 933	
Statement of Financial performance:		
Increase in rental income	(2 933)	

43.10 Prior period error - Stale cheques:

During the period under review the municipality stopped cheques of expenditure incurred in the prior year. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

	2014	2013
Statement of Financial position:		
Decrease in consumer deposits	1 026	
Statement of Financial performance:		
Increase in rental income	(1 026)	

43.11 Prior period error - Unknown receipts:

During the period under review the municipality identified unknown deposits which have not been claimed by consumers for a long outstanding period. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

	2014	2013
Statement of Financial position:		
Decrease in payables from exchange transactions	75 818	
Statement of Financial performance:		
Increase in other services income	(75 818)	

43.12 Prior period error - Salary suspense corrected:

Salary allocations were corrected in the control suspense account. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

	2014	2013
Statement of Financial position:		
Decrease in the trade payables from exchange transactions	3 172	

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

43. Prior period errors (continued)

Statement of Financial performance:

Decrease in personnel cost	(3 172)	

43.13 Prior period error - Income suspense corrected:

Income allocations were corrected in the control suspense account. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial position:

Decrease in the receivables from exchange transactions	272	

Statement of Financial performance:

Increase in other services income	(272)	

:

41.14 Prior period error - prepaid consumers from exchange transactions:

During the period under review the entity noted that the consumer debtors in advance at 1 July 2011 as per the debtors ledger differed from the general ledger at the same date. The comparative statements for 2011/12 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial postion:

Decrease in consumer debtors from exchnage transactions in advance	7 070	
Increase in opening accumulated surplus or deficit	(7 070)	

41.15 Prior period error - interest on consumer deposits:

During the period under review the entity noted that interest had been accrued for on consumer deposits incorrectly.. The comparative statements for 2011/12 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial postion:

Decrease in consumer deposits	3 606 334	
Increase in opening accumulated surplus or deficit	-1 662 305	

Statement of Financial performance:

Decrease in interest paid	-1 945 028.06	

41.16 Prior period error - Input vat not claimed on payment made:

During the period under review the entity noted that input vat was not claimed on a payment made to a supplier during the 2012 financial year.The comparative statements for 2011/12 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial postion:

Increase in vat receivable	71	

Statement of Financial performance:

Decrease in interest paid	-71	

41.17 Prior period error - Disposal of leased assets not recorded:

During the period under review the entity noted that leased office equipment which was disposed of during the year ended 30 June 2011 was still recorded on the leased asset register at 30 June 2012.The comparative statements for 2011/12 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial postion:

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

43. Prior period errors (continued)

Decrease cost price of leased assets	-382 100
Decrease in accumulated depreciation leased assets	380 473
Decrease in opening accumulated surplus or deficit	1 627

41.18 Prior period error - Powerstation not recorded in the asset register:

During the period under review the entity noted that the powerstation which was sold to the entity as part of the sale of business agreement was not disclosed in the netity's fixed asset register at 30 June 2011.The comparative statements for 2011/12 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial postion:

Increase in cost price of infrastrucure assets	282 340 000
Increase in accumulated depreciation and impairment of imfrastructure assets	-282 340 000

41.19 Prior period error - Misstatement of asset revaluation surplus:

During the period under review the entity noted that various valuation errors were made during the 2009/2010 financial year when the entity attempted to determine the take on value of infrastructure assets. Furthermore the activity was incorrectly viewed as a revaluation of infrastructure rather than a take on adjustment in terms of GRAP 17. The comparative statements for 2011/12 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial postion:

Decrease in cost price of infrastrucure assets	-487 258 212
Increase the cost price of intangible assets	465 791
Decrease in assset revaluation reserve	1 900 079 920
Increase in opening accumulated surplus or deficit	-1 413 287 499

'41.20 Prior period error - Misstatement of audit fees paid

During the period under review the entity noted that payments made in respect of audit fees was incorrectly allocated to consulting fees. The comparative statements for 2011/12 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial postion:

Decrease in cost price of intangible assets	-705 512
Decrease in opening accumulated surplus or deficit	705 512

41.23 Prior period error - Understatement of free basic electricity receivable

During the period under review the entity noted that the free basic services rendered to MMM was understated in the annual financial statements for the year ended 30 June 2012. The comparative statements for 2011/12 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial postion:

Increase in receivables from exchange transactions	2 672 644

Statement of Financial performance:

Increase in free basic electricity income	-2 672 644

41.24 Prior period error - Overstatement of operating grant income

During the period under review the entity noted that operating grant income was overstated due to the entity invoicing MMM for both the free basic services rendered as well as the allocated budget for free basic services. The comparative statements for 2011/12 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial postion:

Decrease in receivables from exchange transactions	-37 486 160

Statement of Financial performance:

43. Prior period errors (continued)

Decrease in equitable share income	37 486 160

43.14 Prior period error - Property, plant and equipment corrected:

Assets were newly found and not recognised and depreciation not expensed in the previous years. The comparative statements for 2011/12 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial position:	
Increase in property, plant and equipment	677 757 658
Increase in accumulated surplus	(677 757 658)

43.15 Prior period error - Investment property corrected:

Assets were newly found and not recognised and depreciation not expensed in the previous years. The comparative statements for 2011/12 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial position:	
Decrease in investment property	(1 725 483)
Decrease in accumulated surplus	1 725 483

43.16 Prior period error - RDP land and buildings corrected:

RDP land and buildings were previously not included in the fixed asset register. The comparative statements for 2011/12 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial position:	
Increase in RDP land and buildings	82 562 000
Increase in accumulated surplus	(82 562 000)

43.17 Prior period error - Suspense accounts cleared:

Accounts being in suspense and projects completed were not cleared in the previous years. The comparative statements for 2011/12 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial position:	
Decrease receivables from exchange and non exchange transactions	2 105 590
Increase in accumulated surplus	(2 105 590)

43.18 Prior period error - Income not recognised and stale cheques

Income was not recognised and cheques wriiten back in the previous years. The comparative statements for 2011/12 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial position:	
Decrease in accumulated surplus	517 316
Statement of Financial Performance	
Increase in revenue	(288 414)
Decrease in general expenses	(228 902)

43.19 Prior period error - Impairment

Impairment on consumer debtors were inaccurate and calculated again. The comparative statements for 2012/13 financial year have been restated. The effect of the correction of the error(s) is summarised below:

Statement of Financial position:	
Decrease in receivables from exchange transactions	(12 860 239)

Figures in Rand	2014	2013
43. Prior period errors (continued)		
Increase in receivables from non-exchange transactions	2 632 210	
Increase in VAT	1 414 929	
Statement of Financial Performance		
Increase in impairment	8 816 100	

The correction of the error due to the AG recommendations on both Expenditure and Revenue, and clearing of the suspense accounts of Revenue results in total adjustments as follows

44. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The municipality did not default on any of their trade and other payables commitments during the period under review and no terms were re-negotiated.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

44. Risk management (continued)

Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk consists mainly of cash deposits, cash equivalents, trade and other receivables, long term receivables and unpaid conditional grants and subsidies.

Trade receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of rate and other services payers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All rates and services are payable within 30 days from invoice date. Refer to the applicable note for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

No trade and other receivables are pledged as security for financial liabilities.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents is considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (First National Bank and Standard Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Other Receivables are individually evaluated annually at Financial Position date for impairment.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2014**	**2013**
Receivables from exchange transactions	14 755 568	16 135 327
Receivables from non-exchange transactions	11 031 194	9 809 454
Cash and cash equivalents	33 076 913	46 587 527

Market risk

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

44. Risk management (continued)

Interest rate risk

As the municipality has no significant interest-bearing assets or liabilities, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

45. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

46. Events after the reporting date

The Municipality has no events after reporting date for the financial year ended 30 June 2014.

47. Unauthorised expenditure

Reconciliaion of unauthorised expenditure		
Opening balance	123 978 128	109 843 574
Unauthorised capital expenditure current year	-	982 189
Unauthorised operating expenditure current year	62 615 495	13 152 365
	186 593 623	**123 978 128**

48. Fruitless and wasteful expenditure

Opening balance	478 206	268 465
Add: Fruitless and wasteful expenditure - current year	178 378	209 741
	656 584	**478 206**

Incident	Disciplinary steps/criminal proceedings	2014	2013
Fruitless in in prior years	None	478 206	268 465
Fines	None	-	103 557
Interest paid	None	178 378	61 431
Penalties paid	None	-	44 753
		656 584	**478 206**

49. Irregular expenditure

Opening balance	8 805 171	8 588 657
Add: Irregular Expenditure - current year	675 435	216 514
Less: Amounts not recoverable (not condoned)	-	-
Irregular expenditure awaiting condonement	**9 480 606**	**8 805 171**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

49. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Procurement of goods and services by obtaining on or two quotations	Management is in the process of determining the completeness of irregular expenditure.	121 907
Payments without applicable doumentation	Management is in the process of determining the completeness of irregular expenditure.	102 766
Procurement of goods and sevices by sole supplier	Management is in the process of determining the completeness of irregular expenditure.	366 537
Procurement process not followed	Management is in the process of determining the completeness of irregular expenditure.	84 225
		675 435

Details of irregular expenditure - prior year

	Disciplinary steps taken/criminal proceedings	
Procurement of goods and services by obtaining on or two quotations	Management is in the process of determining the completeness of irregular expenditure.	3 073
Payments without applicable doumentation	Management is in the process of determining the completeness of irregular expenditure.	40 446
Procurement of goods and sevices by sole supplier	Management is in the process of determining the completeness of irregular expenditure.	98 906
Procurement process not followed	Management is in the process of determining the completeness of irregular expenditure.	74 089
		216 514

50. Additional disclosure in terms of Municipal Finance Management Act

50.1 Contributions to organised local government - [MFMA 125 (1)(b)] - SALGA

	2014	2013
Opening balance	-	482 166
Current year subscription / fee	383 591	12 000
Amount paid - current year	-	(494 166)
	383 591	**-**

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

50.2 Material losses

Electricity distribution losses (KWh)	2014	2013
KWh purchased	53 226 463	52 077 634
less: kWh sold	(41 712 666)	(40 613 559)
KWh losses	11 513 797	11 464 075
% losses	22	22
Average cost per kWh unit	0.522	0.447
Loss in Rand value	6 013 940	5 124 442
	-	-

Electricity distribution losses (kVA)	2014	2013
KVA purchased	189 870	118 552
less: kVA sold	(54 181)	(47 499)
KVA losses	135 689	71 053
% losses	71	60
Average cost per kVA unit	50.480	106.572
Loss in Rand value	6 849 589	7 572 260
	-	-

Water distribution losses (Mega litres)	2014	2013
Mega litres purified	3 265 994	3 244 337
less: mega litres sold	(1 607 619)	(1 938 100)
Mega litre losses	1 658 375	1 306 237
% losses	51	40
Average cost per unit	2.970	2.870
Loss in Rand value	4 919 641	3 691 500
	-	-

50.3 Audit fees

Current year fee	2 665 317	2 225 951
Amount paid - current year	(2 665 317)	(2 225 951)
	-	-

50.4 PAYE, SDL and UIF

Opening balance	-	-
Current year subscription / fee	5 689 750	4 813 473
Amount paid - current year	(5 689 750)	(4 813 473)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

50. Additional disclosure in terms of Municipal Finance Management Act (continued)

50.5 Pension and Medical Aid Deductions

	2014	2013
Opening balance	-	-
Current year subscription / fee	8 608 214	7 473 911
Amount paid - current year	(8 608 214)	(7 473 911)
	-	-

50.6 VAT

	2014	2013
VAT receivable	10 338 581	13 987 059

VAT output payables and VAT input receivables are shown in note 8.

All VAT returns have been submitted by the due date throughout the year.

50.7 Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at year end30 June 2014:

30 June 2014		**Outstanding more than 90 days R**	**Total R**
Khen VH	-	1 724	1 724
Mashori KD	-	11 164	11 164
Modiakgotla RG	-	72 582	72 582
Moketsi DM	-	338	338
Mokoena AS	-	24 809	24 809
Mona P	-	205	205
Motebe GM	-	4 812	4 812
Nkomo S		92 547	92 547

30 June 2013		**Outstanding more than 90 days R**	**Total R**
Adams J	-	516	516
Chakane M	-	4 886	4 886
Lewis S	-	55	55
Mashori KD	-	1 224	1 224
Meza D	-	91	91
Modiakgotla HM	-	62 883	62 883
Mojapele MF	-	306	306
Moketsi DM	-	338	338
Mokoena AS	-	21 930	21 930
Moremongwe O	-	89	89
Nkomo S	-	92 858	92 858
Pitso FO	-	11 055	11 055
	-	**196 231**	**196 231**

51. Comparative figures

Certain comparative figures have been reclassified.

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

51. Comparative figures (continued)

Staff leave and bonus accruals were now correctly classified as Trade and other payabes instead of retirement benefit obligations. The reclassification amounts to R4 273 085.

Operating leased assets are valued at fair value and therefore should be classified as Investment property. The reclassification amounts to R29 766.

The Statement of financial performance was incorrectly compiled according to function and not nature during the prior year. Revenue was split into revenue from exchange transactions and reveue from non-exchange transactions. Expenditure was split into the section as specified by the specimen financial statements provided by National Treasury.

Free Basic Services and Indigents amounting to R7 026 280 was incorrectly allocated against Services charges.

Heritage assets were seperately disclosed as it is treated with its own GRAP standard.

The effects of the reclassification are as follows:

Statement of financial position		
Retirement benefit obligation - decrease	-	(4 273 085)
Trade and other payables - increase	-	4 273 085
Operating lease asset - current assets - decrease	-	(10 326)
Operating lease asset - non-current assets - decrease	-	(19 440)
Investment property - increase	-	29 766
Heritage assets - increase	-	158 379
Property, plant and equipment - decrease	-	(158 379)
Statement of Financial Performance		
Service charges - increase	-	7 026 280
Grants and subsidies paid increase	-	7 026 280

52. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the accounting officer and includes a note to the annual financial statements.

For the period underreview there were instances wheregoods and services were procured via a deviation from thenormal Supply Chain Management Regulations.

Deviations	**2014**	**Number of deviations**
Sole supplier	366 679	49
Other	309 057	26
	675 736	**75**

53. Budget differences

Material differences between budget and actual amounts

Notes to the Annual Financial Statements

Figures in Rand	2014	2013

53. Budget differences (continued)

Property Rates: Consumers moved from residential and business premises and less property rates income was recieved as anticipated.
Service charges: Rebates were given to consumers due to a tariff error in 2010/11. The budget was adjusted to accomodate the rebates. However more services charges were levied than anticipated.
Rental of facilities: Previous unrecognised rent was recognised.
Investment revenue: Interest rates increased during the year.
Transfer recognised-operational: Projects not budgeted for but granted by Provincial Government lead to increase in income recognition.
Other own revenue: Consumer made use of other services offered by the municipality.

Employee cost: The appoinment of 2 directors increased the expenditure for the year.
Remuneration of councillors: No significant variance.
Debt impairment: Debt impairment was not properly budgeted as the prior year expense was questioned byt the auditors.
Depreciation: Due to the lack of an updated fiaxed asset register during the compilation of th adjustment budget, incorrect budgeting was performed.
Materials and bulk purchases: Increase in electricity bought from Eskom and more services consumed.
Other expenditure: No significant variance.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of changes in the overall budget parameters. For details on these changes please refer to pages to in the annual report

Deviations	**2014**	**Number of deviations**
Sole supplier	366 379	49
Other	309 057	26
	675 436	**75**

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure				
				Jun							
Equitable shares	Natioal Treasury	-	-	-	-	-	-	-	-	-	-
MIG	National Treasury	-	-	-	-	-	-	-	-	-	-
MSIG	National Treasury	-	-	-	-	-	-	-	-	-	-
FMG	National Treasury	-	-	-	-	-	-	-	-	-	-
DWAF Water loss		-	-	-	-	-	-	-	-	-	-
WSOG	National Treasury	-	-	-	-	-	-	-	-	-	-
COGHSTA		-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2014

	2014/2013											2013/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**
Executive and council	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Budget and treasury office	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Corporate services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Community and public safety	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**
Community and social services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Sport and recreation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Public safety	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Economic and environmental services	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**
Planning and development	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Road transport	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Trading services	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**
Electricity	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Water	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste water management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Standard	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2014

	2014/2013											2013/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Standard															
Governance and administration	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Executive and council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Corporate services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community and public safety	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Community and social services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Planning and development	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Road transport	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Electricity	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure - Standard	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Surplus/(Deficit) for the year	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**

Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2014

	2014/2013													2013/2012	
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Revenue by Vote															
Example 1 - Vote1	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 2 - Vote2	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 3 - Vote3	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 4 - Vote4	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 5 - Vote5	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 6 - Vote6	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 7 - Vote7	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 8 - Vote8	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 9 - Vote9	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 10 - Vote10	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 11 - Vote11	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 12 - Vote12	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 13 - Vote13	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 14 - Vote14	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 15 - Vote15	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue by Vote	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**
Expenditure by Vote to be appropriated															
Example 1 - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 2 - Vote2	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 3 - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 4 - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 5 - Vote5	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure by Vote	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Surplus/(Deficit) for the year	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

	2014/2013														2013/2012
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	14 105 400	6 634 276	20 739 676	-		20 739 676	9 945 962		(10 793 714)	48 %	71 %				7 776 461
Property rates - penalties & collection charges	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - electricity revenue	37 517 088	16 099 533	53 616 621	-		53 616 621	42 644 334		(10 972 287)	80 %	114 %				51 923 384
Service charges - water revenue	67 348 002	33 141 574	100 489 576	-		100 489 576	32 088 775		(68 400 801)	32 %	48 %				32 143 413
Service charges - sanitation revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Service charges - refuse revenue	12 404 621	6 174 359	18 578 980	-		18 578 980	6 649 070		(11 929 910)	36 %	54 %				5 884 897
Service charges - other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	393 996	192 966	586 962	-		586 962	362 268		(224 694)	62 %	92 %				422 640
Interest earned - external investments	18 837 064	9 503 891	28 340 955	-		28 340 955	12 472 593		(15 868 362)	44 %	66 %				10 427 757
Interest earned - outstanding debtors	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Dividends received	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Fines	192 027	111 740	303 767	-		303 767	99 160		(204 607)	33 %	52 %				74 036
Licences and permits	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - operational	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other revenue	93 589 656	40 562 255	134 151 911	-		134 151 911	33 889 283		(100 262 628)	25 %	36 %				105 971 068
Gains on disposal of PPE	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	**244 387 854**	**112 420 594**	**356 808 448**	**-**		**356 808 448**	**138 151 445**		**(218 657 003)**	**39 %**	**57 %**				**214 623 656**

Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2014

	2014/2013											2013/2012			
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Expenditure By Type															
Employee related costs	87 896 222	44 470 044	132 366 266	-	-	132 366 266	49 425 058	-	(82 941 208)	37 %	56 %	-	-	-	42 947 168
Remuneration of councillors	10 782 643	5 418 535	16 201 178	-	-	16 201 178	5 187 187	-	(11 013 991)	32 %	48 %	-	-	-	4 814 039
Debt impairment	38 492 274	22 293 146	60 785 420		-	60 785 420	29 025 371	-	(31 760 049)	48 %	75 %	-	-	-	24 992 926
Depreciation & asset impairment	14 586 212	7 293 106	21 879 318		-	21 879 318	37 884 987	-	16 005 669	173 %	260 %	-	-	-	197 552 055
Finance charges	145 065	136 023	281 088	-	-	281 088	1 285 519	-	1 004 431	457 %	886 %	-	-	-	1 243 549
Bulk purchases	110 000 268	55 000 124	165 000 392	-	-	165 000 392	54 856 979	-	(110 143 413)	33 %	50 %	-	-	-	53 243 000
Other materials	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Contracted services	23 555 005	11 974 376	35 529 381	-	-	35 529 381	24 748 592	-	(10 780 789)	70 %	105 %	-	-	-	12 533 300
Transfers and grants	26 851 566	12 476 096	39 327 662	-	-	39 327 662	13 187 515	-	(26 140 147)	34 %	49 %	-	-	-	7 026 280
Other expenditure	154 747 391	84 306 355	239 053 746	-	-	239 053 746	37 732 030	-	(201 321 716)	16 %	24 %	-	-	-	59 231 971
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	**467 056 646**	**243 367 805**	**710 424 451**	**-**	**-**	**710 424 451**	**253 333 238**	**-**	**(457 091 213)**	**36 %**	**54 %**	**-**	**-**	**-**	**403 584 288**
Surplus/(Deficit)	**(222 668 792)**	**(130 947 211)**	**(353 616 003)**	**-**		**(353 616 003)**	**(115 181 793)**		**238 434 210**	**33 %**	**52 %**				**(188 960 632)**
Transfers recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Contributions recognised - capital	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Contributed assets	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	**(222 668 792)**	**(130 947 211)**	**(353 616 003)**	**-**		**(353 616 003)**	**(115 181 793)**		**238 434 210**	**33 %**	**52 %**				**(188 960 632)**
Taxation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	**(222 668 792)**	**(130 947 211)**	**(353 616 003)**	**-**		**(353 616 003)**	**(115 181 793)**		**238 434 210**	**33 %**	**52 %**				**(188 960 632)**
Attributable to minorities	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	**(222 668 792)**	**(130 947 211)**	**(353 616 003)**	**-**		**(353 616 003)**	**(115 181 793)**		**238 434 210**	**33 %**	**52 %**				**(188 960 632)**
Share of surplus/ (deficit) of associate	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	**(222 668 792)**	**(130 947 211)**	**(353 616 003)**	**-**		**(353 616 003)**	**(115 181 793)**		**238 434 210**	**33 %**	**52 %**				**(188 960 632)**

Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2014

	2014/2013											2013/2012			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Example 1 - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 2 - Vote2	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 3 - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 4 - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 5 - Vote5	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital multi-year expenditure sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Single-year expenditure															
Example 1 - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 2 - Vote2	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 3 - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 4 - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 5 - Vote5	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 6 - Vote6	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital single-year expenditure sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Total Capital Expenditure - Vote	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**

Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2014

	2014/2013											2013/2012			
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final adjustments budget Rand	Shifting of funds (i.t.o. s31 of the MFMA) Rand	Virement (i.t.o. Council approved policy) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Capital Expenditure - Standard															
Governance and administration	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Executive and council	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Budget and treasury office	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Corporate services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community and public safety	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Community and social services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Planning and development	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Road transport	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Electricity	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste water management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Other	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Capital Expenditure - Standard	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Funded by:															
National Government	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Provincial Government	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
District Municipality	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other transfers and grants	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - capital	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**
Public contributions & donations	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Borrowing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Internally generated funds	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Capital Funding	**-**	**-**	**-**	**-**		**-**	**-**		**-**	**DIV/0 %**	**DIV/0 %**				**-**

Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2014

	2014/2013								2013
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities									
Receipts									
Ratepayers and other	244 387 854	121 924 485	366 312 339	366 312 339	150 499 835	(215 812 504)	41 %	62 %	231 637 824
Government - operating	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Government - capital	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Interest	-	9 503 891	9 503 891	9 503 891	12 472 593	2 968 702	131 %	DIV/0 %	10 427 757
Dividends	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments									
Suppliers and employees	481 642 858	263 273 030	744 915 888	744 915 888	322 139 966	(422 775 922)	43 %	67 %	685 437 793
Finance charges	-	136 023	136 023	136 023	1 285 519	1 149 496	945 %	DIV/0 %	1 243 549
Transfers and Grants	-	12 476 096	12 476 096	12 476 096	13 187 515	711 419	106 %	DIV/0 %	7 026 280
Net cash flow from/used operating activities	**726 030 712**	**407 313 525**	**1 133 344 237**	**1 133 344 237**	**499 585 428**	**(633 758 809)**	**44 %**	**69 %**	**935 773 203**
Cash flow from investing activities									
Receipts									
Proceeds on disposal of PPE	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (Increase) in non-current debtors	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) other non-current receivables	-	-	-	-	(7 983)	(7 983)	DIV/0 %	DIV/0 %	6 870
Decrease (increase) in non-current investments	-	-	-	-	(1 173 000)	(1 173 000)	DIV/0 %	DIV/0 %	2 124 000
Payments									
Capital assets	-	-	-	-	269 454	269 454	DIV/0 %	DIV/0 %	-
Net cash flow from/used investing activities	**-**	**-**	**-**	**-**	**(911 529)**	**(911 529)**	**DIV/0 %**	**DIV/0 %**	**2 130 870**
Cash flow from financing activities									
Receipts									
Short term loans	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	447 282	447 282	DIV/0 %	DIV/0 %	125 562
Increase (decrease) in consumer deposits	-	-	-	-	40 856	40 856	DIV/0 %	DIV/0 %	369 322
Payments									
Repayment of borrowing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used financing activities	**-**	**-**	**-**	**-**	**488 138**	**488 138**	**DIV/0 %**	**DIV/0 %**	**494 884**
Net increase/(decrease) in cash held	**726 030 712**	**407 313 525**	**1 133 344 237**	**1 133 344 237**	**499 162 037**	**(634 182 200)**	**44 %**	**69 %**	**938 398 957**
Cash/cash equivalents at the year begin:					46 587 526				37 024 769
Cash/cash equivalents at the year end:	**726 030 712**	**407 313 525**	**1 133 344 237**	**1 133 344 237**	**545 749 563**	**(634 182 200)**	**48 %**	**75 %**	